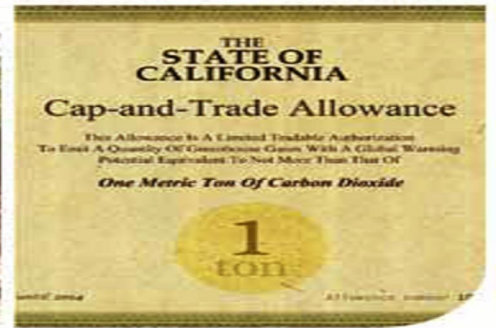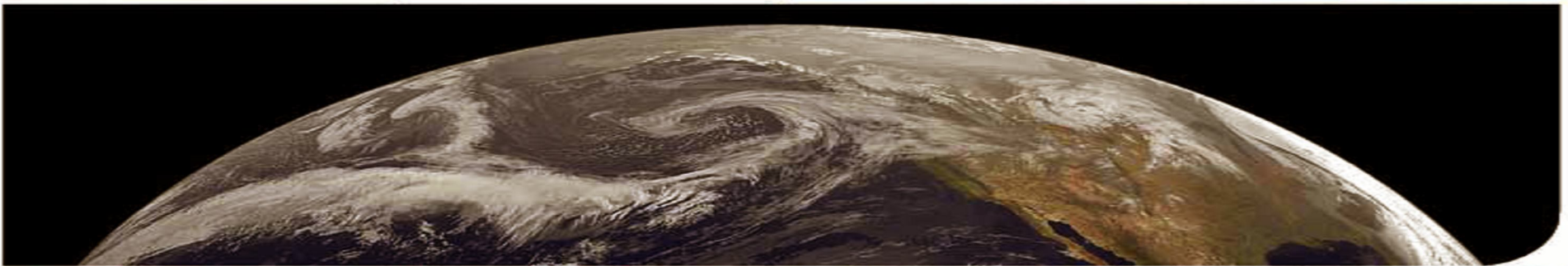# Our Golden State Saving the Planet but Can We Save Ourselves?

Assemblywoman Diane L. Harkey 3-14-12

Structural Deficit Must be Resolved (Gov's Inherited Mountain of Debt)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
G F Rev & Transfers	75	74	79	96	96	102	84	86	95	88
G F Expenses	75	75	81	92	102	103	91	87	92	85
Budget Deficit/Reserve	0	-1	-2	4	-6	-1	-7	-1	3	3
ERB Repayment		-2	-3	-3		-0.5	-0.5	-0.5	-0.5	-0.5
Accumulated Deficit	15	14	13	6	12	12.5	19	19.5	16	12.5
Prop 98 Maint. Factor										9.5
Prop 98 Settle Up										3.0
Rolling Deferrals – K-14										10.4

Total Structural Deficit   **$35.4 B**

Long-Term Debt (+RAN) increased from $59B in 2007 to $90B in 2011
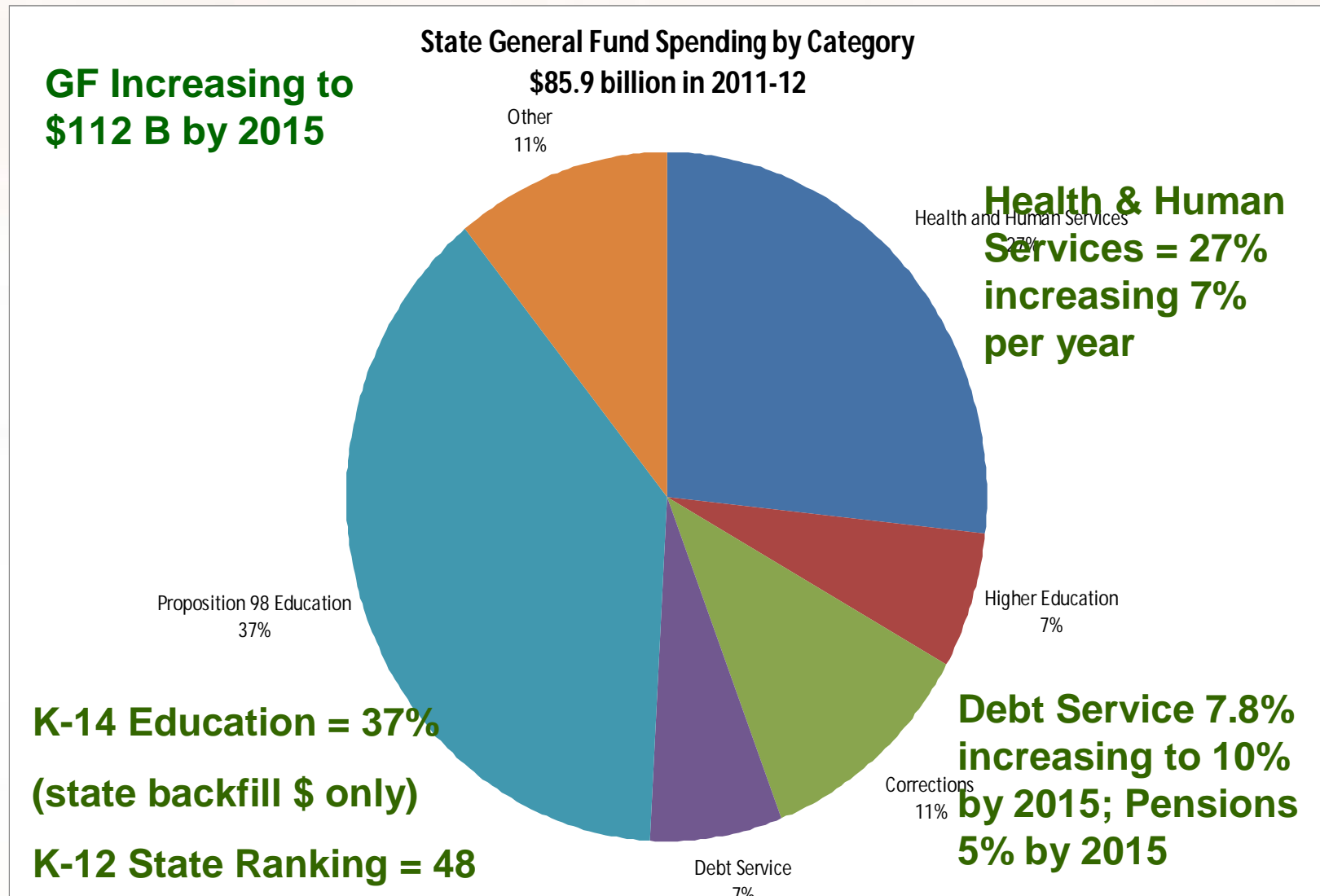
Does Not Include Deficit in Unemployment Ins. Trust Fund = $10B

Trigger Cuts Sustained Credit Rating

STATE (2010)	MOODY S&P /FITCH	DEBT/ INC Personal	DEBT PER CAPITA	DEBT AS A % OF STATE GDP
Texas	Aaa/AA+/AAA	1.4%	$520	1.05%
Michigan	Aa2/AA-/AA-	2.1%	$748	1.96%
Pennsylvania	Aa1/AA/AA+	2.3%	$938	2.13%
No. Carolina	Aaa/AAA/AAA	2.3%	$765	1.80%
Ohio	Aa1/AA+/AA+	2.4%	$933	2.29%
Florida	Aa1/AAA/AAA	2.9%	$1,123	2.80%
Illinois	A1/A+/A	4.4%	$1,856	3.79%
California	A1/A-/A-	5.6%	$2,362	4.73%
New York	Aa2/AA/AA	6.5%	$3,135	5.36%

Where Does All the Money Go?

$85.9 B GF Excludes $5+ B for Corrections Realignment

GF Increasing to $112 B by 2015

State General Fund Spending by Category
$85.9 billion in 2011-12

Other
11%

Health and Human Services
27%

Health & Human Services = 27% increasing 7% per year

Proposition 98 Education
37%

Higher Education
7%

Debt Service 7.8% increasing to 10% by 2015; Pensions 5% by 2015

Corrections
11%

Debt Service
7%

K-14 Education = 37%

(state backfill $ only)

K-12 State Ranking = 48
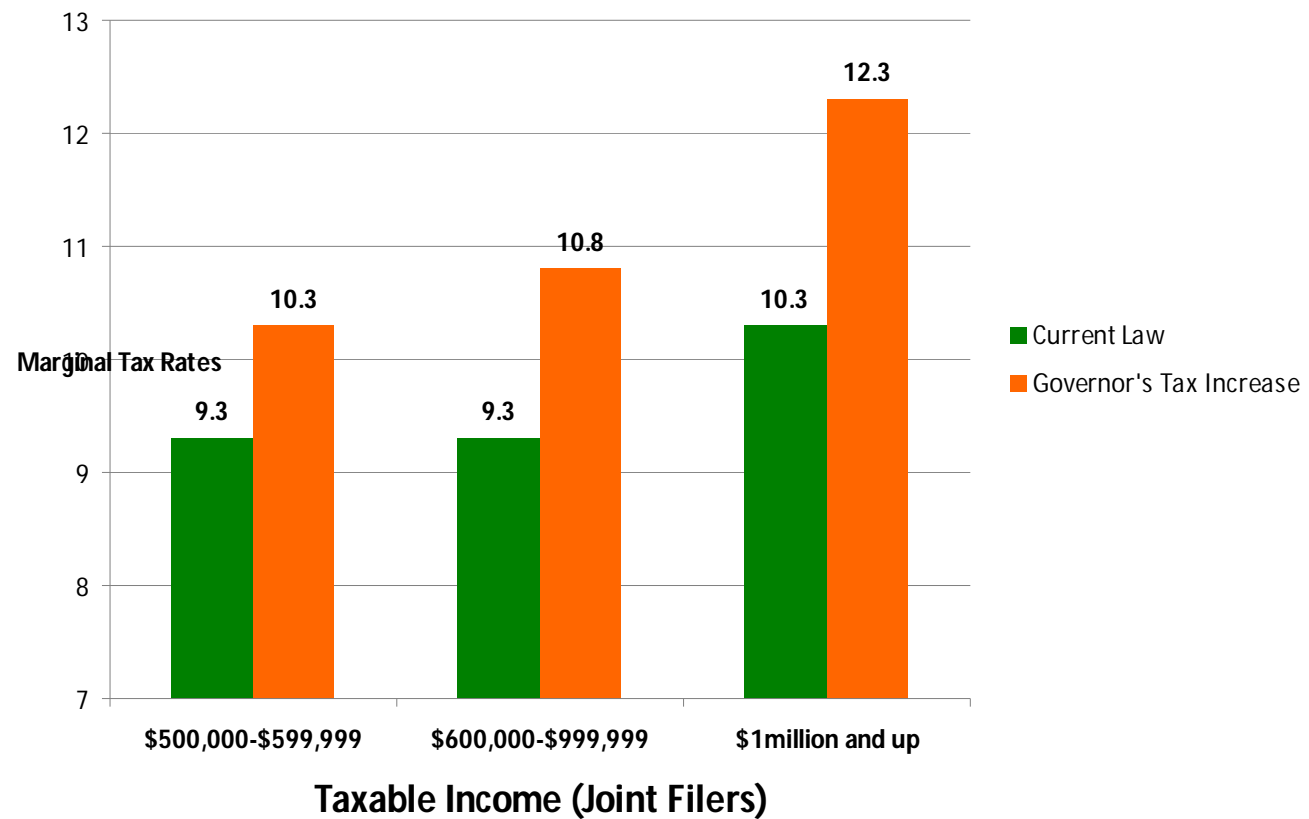
Historic Per Capita State Spending
Fund Shifts, Non-General Fund Fees &Taxes, Plus Federal Funds
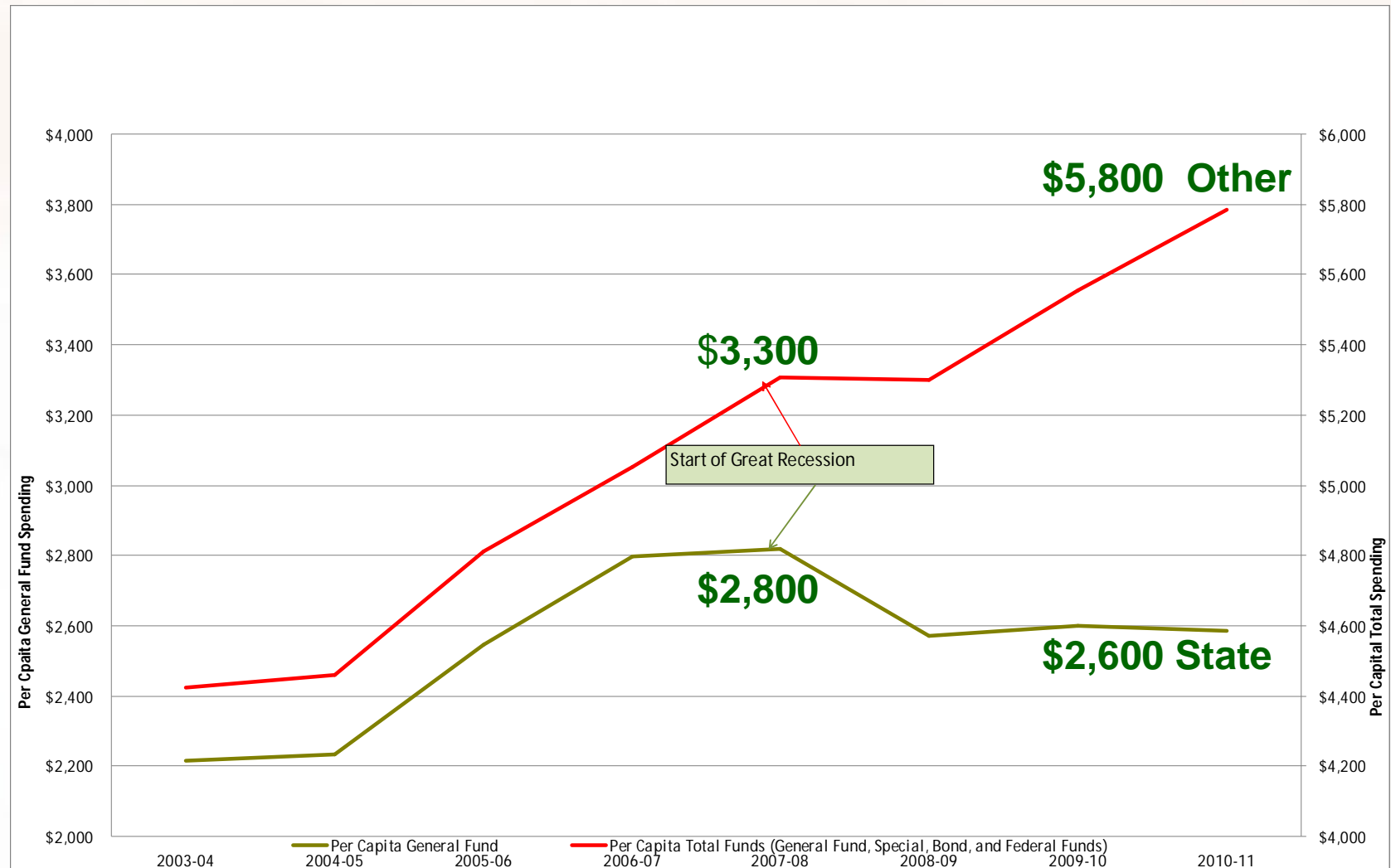
Governor's Solution - Tax Increase

Governor's Marginal Tax Rate Increases for Joint Filers
(excludes Sales Tax Increase)

Working Towards Solutions?

(phantom income and tax increase budget)

Governor's Multi-Year Proj. for Spending
Debt Defeasance? Spending Cap?

General Fund (Dollars in Thousands)

The Governor's plan calls for 7.4 percent growth in annual General Fund spending

30 percent increase over four years!

$115,000
$110,000
$105,000
$100,000
$95,000
$90,000
$85,000
$80,000

2011-12   2012-13   2013-14   2014-15   2015-16
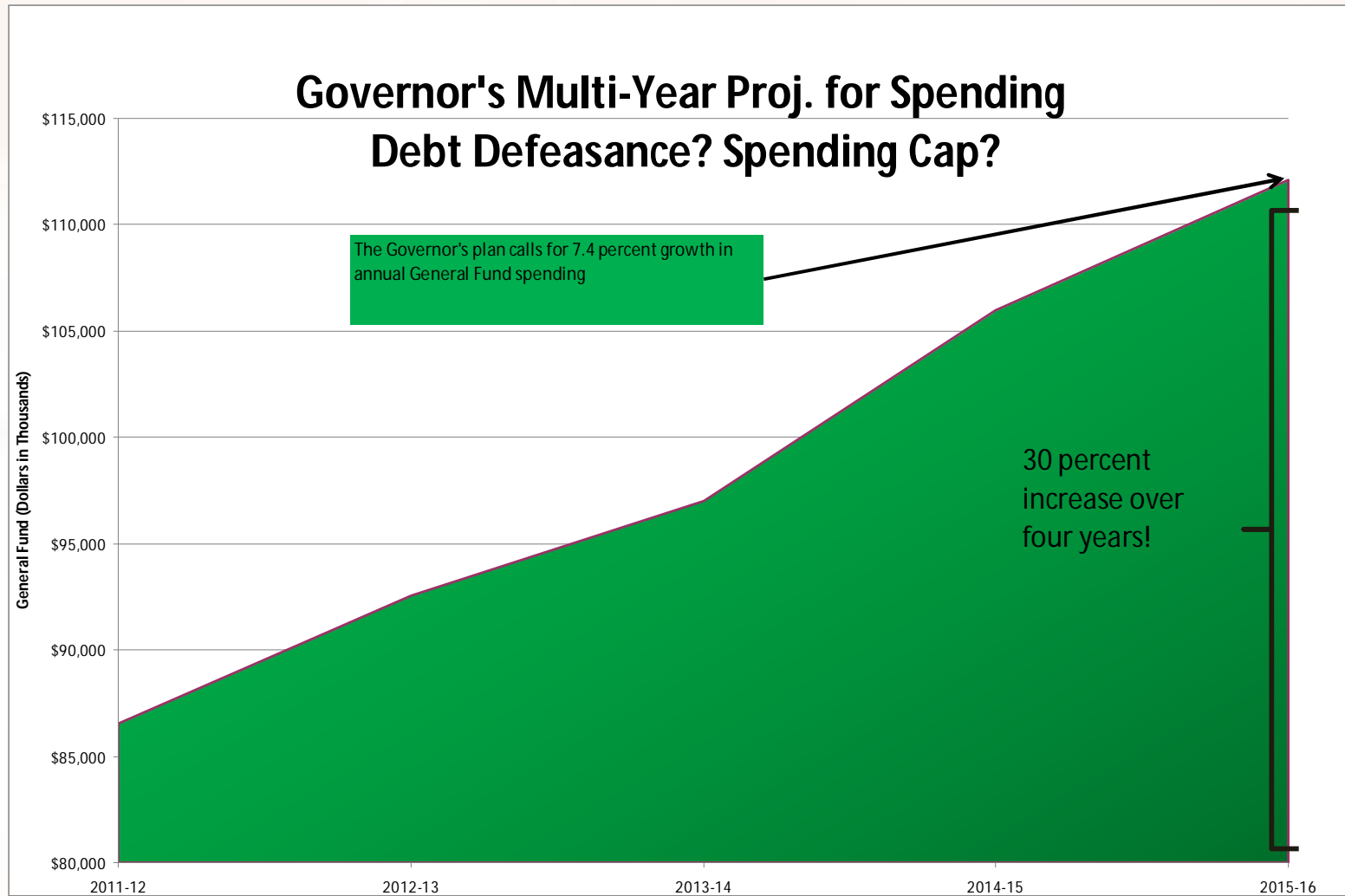
The #1 Problem Unemployment

•**Water Wars**

•**Housing & Market Crash**

#1 Solution Encourage Private Sector Employment

County Unemployment Rates

December 2011 (Not Seasonally Adjusted)

Percent Unemployed

- 6.5% to 9.2%
- 9.3% to 11.9%
- 12.0% to 14.2%
- 14.3% to 16.1%
- 16.2% to 26.8%

Statewide: 10.9%

Del Norte 13.2%
Siskiyou 18.3%
Modoc 14.4%
Humboldt 10.6%
Trinity 17.8%
Shasta 13.4%
Lassen 12.8%
Tehama 14.6%
Plumas 16.2%
Mendocino 10.2%
Glenn 15.5%
Butte 12.6%
Sierra 14.2%
Nevada 9.7%
Lake 17.1%
Colusa 23.3%
Yuba 16.4%
Placer 9.5%
Sutter 19.3%
Sonoma 8.9%
Yolo 13.2%
El Dorado 11.1%
Alpine 15.9%
Napa 9.0%
Sacramento 10.9%
Amador 12.7%
Solano 10.5%
Calaveras 14.1%
Tuolumne 12.8%
Marin 6.5%
San Joaquin 15.9%
Mono 9.1%
Contra Costa 9.3%
San Francisco 7.6%
Alameda 9.3%
Stanislaus 16.1%
Mariposa 12.5%
Santa Clara 8.7%
San Mateo 7.2%
Merced 18.7%
Madera 14.7%
Santa Cruz 12.2%
San Benito 16.0%
Fresno 16.2%
Inyo 9.2%
Monterey 14.9%
Kings 15.3%
Tulare 16.2%
San Luis Obispo 8.8%
Kern 14.5%
San Bernardino 11.9%
Santa Barbara 8.7%
Ventura 9.4%
Los Angeles 11.6%
Orange 7.8%
Riverside 12.5%
San Diego 8.9%
Imperial 26.8%

Data Source:
Local Area Unemployment Statistics (LAUS)
Labor Market Information Division
California Employment Development Department

Data Notes:
Data reflect the 2010 Benchmark.

Cartography by:
Labor Market Information Division
California Employment Development Department
http://www.labormarketinfo.edd.ca.gov
January 2012

EDD Employment Development Department
State of California

LaborMarketInfo

Large Public Works Projects
CA's High Speed Fail?

- **No Business Plan, Funding, Ridership, & Violates Prop1A**
- **Inc Debt & GF d/s**
- **Requires Local Tax Support**
- **Lots of Promises and Few Jobs**
- **GAO, LAO, Auditor, Staff – Lemon Law**

CARB
To the Rescue?
Cap and Trade

1. Rationing and allocation of free and auctioned "pollution" certificates among certain industries (oil producers, refiners, electricity generators, and other large industries producing more than 25,000 metric tons of CO_2 e per year)
   - Agriculture and Forestry – exempt; regulated separately
2. Auction - certificates sold to covered entities (fiat currency)
   - Quarterly auctions - current year and "vintage" allowances (used 2015 and beyond)
   - Free allowances allocation decreases (2020 GHG goal)
   - Ability to bank some allowance certificates for future
   - Secondary market for unused offset credits and derivatives
   - Initial price estimated between $10 and $50 per allowance; increasing over time

We Are Getting Fleeced

- **Increases State Spending, Regulators, and Investment Bank Revenues**
- **Will Decrease Private Sector Employment**
- **State revenue difficult to ascertain; costs of production and living in CA will be higher; risk of market manipulation could be huge**
- **Wide range of revenues or losses; market manipulations and/or leakage; Sinclair nexus**
- **Assumes businesses have few choices**
- **Pollution goals could be unmet**
  - **Assumes CARB can monitor and control business losses; increase the price of energy; hold down costs for consumers; control market manipulations; protect local municipalities; hire WCI, Inc to help?**
  - **Distributors of Energy Favored over Producers**
  - **No allowance for CA company growth**

Legislative Solutions – Increasing State Revenues

- **Split Roll Property Tax**
- **Oil Severance Tax**
- **Mandatory Single Sales Factor**
- **Tax reform = Code for Tax Increase**
  - Sales Tax – Broaden the Base (all pay?)
  - Punishing Tax Cheaters (eliminating legal deductions or tax "expenses")
- **2012 Ballot Initiatives**
- **SB 375 Goals**

Saving California = Increase Private Sector Employment & State Revenues by Reducing Uncertainty

- **Halt or Delay Cap and Trade (AB32)**

- **Delay Increasing UI tax on remaining employers**

- **Halt High Speed Rail - Focus on local infrastructure**

- **Halt Tax Increases – Restrain Spending**

- **Ensure a steady supply of water to the Central Valley and So Cal**